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December 2, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **ARMENIAN RELIEF SOCIETY CONTRACT REVIEW - A
DEPARTMENT OF PUBLIC SOCIAL SERVICES REFUGEE
EMPLOYMENT PROGRAM PROVIDER**

We completed a program, fiscal and administrative contract review of Armenian Relief Society (ARS or Agency), a Department of Public Social Services (DPSS) Refugee Employment Program (REP) provider. The purpose of our review was to determine whether ARS appropriately accounted for and spent REP funds. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with the County contract and applicable guidelines.

DPSS compensates ARS at a fixed monthly fee for each participant and requires the Agency to return any unspent revenues. DPSS paid the Agency \$1,032,915 during Fiscal Year (FY) 2009-10. ARS provided services to residents in the First, Second, Third and Fifth Supervisorial Districts during FY 2009-10.

Results of Review

The program participants generally met the eligibility requirements for the REP Program, and the Agency's staff possessed the required qualifications. In addition, ARS maintained adequate internal controls and the Agency's Cost Allocation Plan was prepared in compliance with the County contract and used to appropriately allocate shared program costs. However, we found that for one of the 30 case files reviewed, ARS did not maintain eligibility documentation in the participants' case files. In their

attached response, ARS indicated they will ensure they maintain proper documentation in the participants' case files.

Details of our review, along with one recommendation for corrective action, are attached.

Review of Report

We discussed our report with ARS and DPSS on September 1, 2010. In their attached response, ARS management agreed with our finding and recommendation. DPSS indicated that they will work with ARS to ensure that the recommendation is implemented.

We thank ARS management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, Department of Public Social Services
Sona Zinzalian, Executive Director, ARS
Sossy Poladian, Board Chairman, ARS
Public Information Office
Audit Committee

**REFUGEE EMPLOYMENT PROGRAM
ARMENIAN RELIEF SOCIETY
FISCAL YEAR 2009-10**

BACKGROUND/PURPOSE

The Department of Public Social Services (DPSS) contracts with the Armenian Relief Society (ARS or Agency), a private, non-profit, community-based organization, to provide services to refugees who have resided in the United States for less than five years. The contract services include performing skills and needs assessments, facilitating job placement and retention services, and referring participants to additional available resources.

The purpose of our review was to determine whether ARS complied with the contract terms and appropriately accounted for and spent Refugee Employment Program (REP) funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff.

ELIGIBILITY

Objective

Determine whether ARS provided services to individuals that met the eligibility requirements of the REP services.

Verification

We reviewed the case files for 30 (4%) of the 845 program participants that received services during January 2010.

Results

ARS did not maintain adequate eligibility documentation for one (3%) of the 30 participants reviewed. Specifically, ARS did not maintain a signed Form I-94 in the participants' case file attesting to the participants' employment eligibility.

Recommendation

- 1. ARS management ensure that eligibility documentation is maintained in all the participants' case files.**

PROGRAM SERVICES**Objective**

Determine whether ARS provided the services in accordance with the County contract and REP guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the case file documentation for 30 program participants that received services during January 2010.

Results

ARS provided the program services in accordance with the County contract.

Recommendation

None.

STAFFING QUALIFICATIONS**Objective**

Determine whether ARS staff possessed the qualifications required by the County contract.

Verification

We reviewed the personnel files for eight (35%) of the 23 ARS employees assigned to the REP Program.

Results

ARS' staff possessed the qualifications required by the County contract.

Recommendation

None.

PERFORMANCE OUTCOMES**Objective**

Determine whether ARS met the planned performance outcomes as outlined in the County contract and reported the performance outcomes to DPSS. The performance

outcomes included increasing employment and work participation rates and reducing sanction rates.

We did not perform test work in this section because accurate performance outcome data for ARS was not available. DPSS indicated that the database they use to capture REP performance data is not capturing all of the REP participants. DPSS plans to review the Agency's performance outcomes when the system is updated in December 2010.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in ARS' financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash.

Verification

We interviewed ARS personnel and reviewed financial records including the Agency's bank reconciliation for February 2010.

Results

ARS maintained adequate controls to ensure that revenue was properly recorded and deposited timely.

Recommendation

None.

UNSPENT REVENUE**Objective**

Determine whether ARS' payments from April 2008 to June 2009 reconciled to the Agency's accounting records.

Verification

We traced ARS' payments from April 2008 to June 2009 to the Agency's accounting records.

Results

ARS repaid the \$64,487 in unspent revenue they received during April 2008 to June 2009.

Recommendation

None.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures were allowable under the County contract and properly documented.

Verification

We interviewed ARS personnel and reviewed financial records and other documentation for 11 non-payroll expenditures totaling \$13,549 that the Agency charged from July 2009 through February 2010.

Results

ARS' expenditures were allowable and properly documented.

Recommendation

None.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether ARS maintained sufficient internal controls over its business operations and if the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed ARS personnel, reviewed their policies and procedures manuals, and conducted an on-site visit.

Results

ARS maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

Recommendation

None.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether ARS' fixed assets and equipment purchased with REP funds were used for the REP Program and were safeguarded. Also, determine whether fixed asset depreciation costs charged to the REP Program were allowable and properly documented.

Verification

We interviewed ARS staff and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory of four items purchased with REP funds in prior years and reviewed items with depreciation costs totaling \$2,659 that the Agency charged to DPSS in February 2010.

Results

ARS' fixed asset depreciation costs charged to DPSS were allowable and properly documented. In addition, ARS appropriately safeguarded their fixed assets.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the REP Program. In addition, determine whether ARS obtained criminal background clearances and verified employment eligibility for REP Program employees.

Verification

We traced the payroll expenditures for eight employees totaling \$23,374 for February 2010 to the Agency's payroll records and time reports. We also interviewed staff and reviewed eight personnel files for REP Program staff.

Results

ARS properly charged payroll expenditures to the REP Program and obtained background clearances for program staff.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether ARS' Cost Allocation Plan was prepared in compliance with the County contract and used to appropriately allocate shared program costs.

Verification

We reviewed the Cost Allocation Plan and a sample of expenditures ARS incurred during July 2009 through February 2010.

Results

ARS' Cost Allocation Plan was prepared in compliance with the County contract and the costs were appropriately allocated.

Recommendation

None.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the Auditor-Controller's prior monitoring review.

Verification

We verified whether the outstanding recommendations from the Fiscal Year 2006-07 monitoring report were implemented. The report was issued on September 19, 2007.

Results

ARS implemented the recommendations contained in the prior monitoring report.

Recommendation

None.

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ARMENIAN RELIEF SOCIETY
OF WESTERN U.S.A., INC.
SOCIAL SERVICES

September 22, 2010

Wendy L. Watanabe
Los Angeles County Auditor-Controller
500 W Temple, Room 525
Los Angeles, CA 90012

Dear Ms. Watanabe

Contract Review Response
(Revised)

Armenian Relief Society (ARS) has reviewed the Draft Report of Contract Review of the Refugee Employment Program, Dated August 31, 2010. The Draft Report identified one (1) recommendation. ARS' response to the recommendation follows:

Recommendation: Eligibility documentation maintain in the case files.

Explanation:

The participant is a Refugee from Cuba. His case was already closed at the time of audit, after receiving the review results, ARS Case Manager tried to contact the participant to request more Immigration documentation besides the Employment Verification that he had previously provided, but the result was unsuccessful.

ARS management will make sure all proper documentation is maintained in all participants case files, and the agency is in compliance with the contract requirements.

Please do not hesitate to contact me at (818)214-7533X101 if you will have any questions.

Sincerely,

Sona Zinzalian

Executive Director, Armenian Relief Society Social Services

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